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CIA/RR CB-61-17

Copy No. _____
16 March 1961

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CURRENT SUPPORT BRIEF

CONVERTIBLE RUBLE AREA ENVISAGED IN EASTERN EUROPE

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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CONVERTIBLE RUBLE AREA ENVISAGED IN EASTERN EUROPE

The increased attention given to multilateral clearing of trade balances in Eastern Europe in recent months and the general decline in the use of ECE to arrange trading circuits suggest that there is under active consideration the establishment of a "multilateral ruble area" in the not too distant future. Such a concept would not mean that the ruble would be completely convertible, but rather that trade balances with CEMA countries could be used anywhere in Eastern Europe. While such a system would be of marginal interest to Western Europe, it could provide a significant stimulus to trade with underdeveloped countries of the West with which the Bloc currently conducts trade primarily on the basis of bilateral balancing. The chief advantage to increasing multilateralization of trade, however, would continue to be that such an arrangement would facilitate the flow of goods and encourage active regional cooperation on a continuing basis throughout the CEMA area.

The ruble now serves as the unit of account in Eastern Europe, but it is not a convertible currency. Although there has been a multilateral payments system in effect since 1957, it has not filled the role of a true clearing house for the free exchange of balances. Now, however, that a new ruble has been created (with much attendant fanfare) and concentrated efforts are being made to increase the exchange of trade balances on a regional basis, it appears that the matter of international prestige of the ruble has taken on new significance for the USSR.

At the 6th meeting of the CEMA Commission for Multilateral Clearing, scheduled to take place in Bucharest during January-February 1961, the chief topic for discussion was to be how to arrange for continuous participation by the foreign trade enterprises in multilateral transactions. Heretofore, the enterprises have only prepared the groundwork for exchanges at semi-annual "trading meetings" and the latter have been found to be quite incomplete instruments for multilateralizing trade. One month before the meeting, lists of balances offered and desired are exchanged by the foreign trade enterprises. At the formal meeting the actual circuits are drawn up for formalization into contracts by the Commission at its plenary session. There has been poor coordination among the foreign trade enterprises both before and after the meetings, and according to Aussenhandel "underrating of multilateral clearing as a means of expanding trade." 1/

During the first half of 1960 multilateral trade transactions by CEMA countries reportedly increased by 350 percent above the first half of 1959. This expansion is primarily a reflection of the low state of such clearings in 1959; moreover, no value data have been published. Although CEMA members had signed a multilateral trade charter in June 1957, it was not until October 1958 that the Commission for Multilateral Clearing was organized, and it was not until September 1959 that the first "trading meeting" took place.

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Concurrently with this expansion of multilateral transactions in Eastern Europe there occurred a decline in compensation circuits arranged through ECE auspices. Whereas the total volume of circuits arranged by ECE totaled \$22 million in fiscal year 1958 and \$18 million in 1959, only \$15.9 million of trade circuits were arranged in fiscal year 1960. Bulgaria, East Germany, and Hungary took no part in ECE multilateral circuits in fiscal year 1960, doubtless contributing to the decline. 2/

In the spring of 1959 notice was taken by the ECE agent concerning the drop in use of the ECE compensation system. 3/ A major obstacle to the success of the ECE system, he pointed out, is the unwillingness of the Eastern European countries to accept arrangements by which a Western European debtor would be replaced by an Eastern European debtor. Obviously, if attempts to market trade balances in the West were to result in an exchange of balances within their own regional membership, CEMA countries would have little to gain by using such ECE circuits and would have little choice but to improve the media for exchanging trade balances among themselves. Thus although multilateralism in the past has long been denied appreciation in socialist economic literature, the course of events is bringing the CEMA countries closer to thinking in regional terms.

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Analyst: [REDACTED]

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2. UN, ECE Committee on the Development of Trade, Agent's
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3. State, Geneva. Dsp. no. 294, 29 May 59. OUO.

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